

Youth unemployment: A matter of parallel universes?

The solution may lie in closing the gap between education and market needs

BY FOO KHAI YEE & WONG EE LIN

KUALA LUMPUR: Most Malaysians would blame rising youth unemployment on a failing education system. However, the problem stems from the fact that employers, education providers, the government, and the youth are all living in “parallel universes,” said Li-Kai Chen, partner and lead for Global Education Practice, McKinsey and Company.

“These stakeholders have different understandings, work differently and do not connect,” said Chen in a phone interview with the *The Edge Financial Daily*.

As a reflection of that, Chen cited that 70% of education providers surveyed by McKinsey said graduates and new hires are adequately prepared for the job market, but only 40% of employers and 45% of youths feel the same.

Youth unemployment in 2017 in Malaysia was at an alarming three times the national average unemployment rate of 3.3%. The unemployment rate among youths aged 15-19 was at 15.4%, and for those aged 20-24 was at 9.6%.

In 2017, unemployment in Malaysia was also relatively high among those with tertiary education (4.2%), compared to those with only secondary education (3.4%), primary education (1.8%), or no formal education (2.8%), according to a report by the World Bank.

“In the systems that have worked, education providers and employers are actively stepping into each other’s worlds, whereby they engage at extreme levels to help design the curriculum. Curriculum design is not just the task of the education provider but should involve the employer’s extreme engagement,” said Chen, when asked about viable solutions for the disconnect.

“Education providers should have students not just learning at

their institution but spending at least half their time on the job site in practical training. This is a concept whereby education providers and employers cross over and take up non-traditional roles,” Chen added.

Meanwhile, Dr Yeah Kim Leng, professor of economics at Sunway Business School, said employers can partner with universities in providing internships and participate in industry advisory panels to review curriculum, or directly provide part-time employment to students where needed.

Chen stressed that education providers should not think about the education to employment journey as a linear sequence, but see it as a continuum.

“Employers should not just be waiting until the graduate has completed his training to hire. They need to get involved in the selection of graduates upfront during enrolment and provide hiring guarantees.”

He also pointed out the role of government to put in place appropriate incentives and structures.

“We need new incentives and structure. For example, stakeholders need data regarding students after they graduate so incoming students can make better choices. Parents and young people need transparent data about their career trajectories.

“With transparency of data, education institutions would also think much more carefully about what to teach and what programmes to offer and how to connect students to the market,” he added.

Chen said there is a need for these institutions to integrate technology into training.

The future of work

The changing world of work and the automation of jobs are often seen solely as a part of the future.

However, the future is already here given the technology disrupt-

tion happening across industries and a reluctance to adapt now will jeopardise the social and economic landscape of the nation.

The strongest growth in demand will be for technological skills which will rise by 55% and by 2030 will represent 17% of hours worked, up from 11% in 2016, said a report by McKinsey titled “Skill shift: Automation and the future of the workforce.”

The report stated that demand for social and emotional skills will account for 22% of total hours worked in Europe and the United States in 2030, which is an increase of 24% from 2016. Meanwhile, demand for higher cognitive skills will grow moderately overall but will rise sharply for certain skills, especially creativity.

Skills less in demand include basic cognitive skills, physical and manual skills, the report said. However, the report stated that skill shifts will play out differently across sectors. Healthcare, for example, will see a rising need for physical skills, even as demand for them declines in manufacturing and other sectors.

“Some of the more innovative solutions we see are, for example, what we call boot camps. So these boot camps are short courses where it’s a very intense programme that prepares students very intensely for entry level jobs,” Chen said.

“We could also use digital simulations to immerse the learners in a virtual world,” he added. Chen suggests this could help with employers’ reluctance to train young market labour entrants due to the high tendency of job-hopping.

On the phenomenon of job hopping, Lee Heng Guie, Socio-Economic Research Centre executive director agreed it contributes to the unemployment problem.

“Youth shows high tendency to job-hop for better pay. This discourages employers from invest-

ing time into training them. As a consequence, young people feel discouraged because they are not given an opportunity in the job market,” Lee said.

“This not only causes a loss of valuable skills for the young person, but also a sacrifice of higher productivity on the part of the economy,” he added.

The lack of basic skills versus attitude and expectations

On the other hand, some economists believe that there needs to be a return to strengthening the basics of education in order to solve the problem of youth unemployment.

“Our schools should go back to the basics and mainly concentrate on reading, writing and arithmetic. Being highly skilled in these is of great value and importance and obviously has been completely overlooked. The missing element is that educators and students have not been taught the true basics of how to study and learn, to become self-learners,” said Anthony Dass, chief economist of AmBank Group.

Attitude has also been brought up as a cause of youth unemployment. Most employers feel that the youth have unrealistic expectations about salaries and employment benefits.

“Some young graduates are choosy and demand higher pay amid a more balanced work-leisure lifestyle. In addition, the 3-D jobs (dirty, dangerous and difficult) are not appealing to Malaysian youths,” said Lee.

However, Chen said it would be unfair to the youth when the current system fails them.

“There is a need for a much greater sense of urgency. If you think about a student or a child, they have one chance at a great education. If we miss this chance with this current generation of students, there is no turning back because we have failed an entire cohort and that is not acceptable.”

Putrajaya now eyeing to bring back Jho Low’s private jet

SERDANG: The government is now eyeing to bring back a private jet belonging to fugitive businessman Low Taek Jho (Jho Low), currently reported to be in Singapore, said Prime Minister Tun Dr Mahathir Mohamad yesterday.

When asked about reports that Putrajaya is bringing back the jet when met by reporters after visiting an art exhibition *Tun M: A Forever Legacy* at the Perdana University here yesterday, Dr Mahathir said: “Yes, I think so. We have to bring it back.”

According to media reports, the private jet was impounded by Singapore authorities in 2017 and grounded at the Seletar Airport.

It was also reported that the impounded Bombardier Global 5000 aircraft was part of some US\$1 billion in assets allegedly acquired with funds misappropriated from 1Malaysia Development Bhd.

Asked on the discussion to bring the private jet back to the country, Dr Mahathir said: “I don’t know somebody else is doing it.”

Dr Mahathir stressed that the government was trying to get back all the money that has been stolen from the country.

“We know who has it but of course we do not know where they are. And the need for us to access the money depends on our proving that it is our money,” he said.

Asked to comment on Jho Low’s statement through his spokesman alleging that Malaysia was “putting words into the mouth” of the US authorities by saying the yacht’s arrival in Malaysia was after negotiations with the Americans, Dr Mahathir said: “I am very proud that I can put words into the US government.”

“I must be greater than [Donald] Trump. Well you can ask the US authority whether I put the words. I typed out the thing properly and shove it down his throat. But he (Jho Low) should accept that,” he added. — *Bernama*

Axis REIT working on enhancing existing assets’ occupancy

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Leong said the recently completed Axis Shah Alam Distribution Centre 4 and lease commencement in June for the Nestle Distribution Centre will contribute an additional income of RM2.1 million per month going forward. The two assets have fixed leases of six years and 10 years respectively.

On top of that, the ongoing acquisition of manufacturing facilities in Johor and Negeri Sembilan and the REIT’s second build-to-suit development — Axis Aerotech Centre @ Subang, which is targeted to be completed on Dec 15 — will also contribute positively to the trust.

For the second financial quarter ended June 30, 2018 (2QFY18), Axis REIT’s net property income rose 15% to RM26.83 million from RM23.27 million a year ago. Revenue rose 14% to RM47.45 million from RM41.64 million.

Axis REIT recorded a net realised income of RM24.42 million for 2QFY18, against RM23.68 million in 2QFY17.

The REIT has declared a second interim distribution of two sen per unit, payable on Sept 7. As at June 30, the REIT had distributed a total DPU of 3.94 sen.

Meanwhile, Axis REIT is also

working on enhancing the occupancy of its existing assets. By filling the vacant space, the REIT expects the DPU to rise to 1.1 sen per unit.

As at June 30, Axis REIT’s portfolio had shown an improvement in occupancy rate to 94% from 91%.

As at Dec 31, 2017, of its portfolio, 31 properties were fully occupied and only 10 properties had vacancies and one was undergoing development — Axis Aerotech Centre @ Subang. This was coupled with a positive rental reversion of 5% year to date (YTD).

There are around 15.4%, or 1.36 million square feet, of the portfolio’s net lettable assets due for renewal

in 2018. Another 61.6% of the space was renewed in the first half of 2018.

Properties with an occupancy rate of below 90% are Fonterra HQ, Wisma Academy Parcel, Infinite Centre, Wisma Kemajuan, Axis Technology Centre, Menara Axis, Axis Business Park, Quattro West and Axis Business Campus.

For Axis Business Campus, one of its properties with the lowest occupancy rate (29%) and lowest yield (2.1%), Leong said the asset has locked in a new tenant. Thus, she expects its occupancy rate to improve to 62% and yield to be enhanced to 4% by year end.

YTD, all 42 investment properties have generated an 8.2% average net yield. FCI Senai, Crystal Plaza and Strateq Data Centre were the top three investment assets with net yields of 12.4% to 13.6%.

Leong said most of the REIT’s properties were bought at yields of approximately 7% on average.

“Over time, with our enhancement and the reposition of the assets, we are able to improve the yield, and will continue to do so,” she said without disclosing a target.

Axis REIT’s share price closed three sen lower at RM1.52 last Friday, valuing the trust at RM1.87 billion.